

Message Text

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ORIGIN AID-05

INFO OCT-01 ISO-00 /006 R

DRAFTED BY LA/DR: AMCDONALD:CCP

APPROVED BY AA/LA: HKLEINE

LA/DR:DMLION (DRAFT)

LA/DR:CBWEINBERG (DRAFT)

LA/DR:MDBROWN (DRAFT)

LA/BC:RNICHOLSON (DRAFT)

GC/LA:ILEVY (DRAFT)

GC/LA:NWILLIAMS (DRAFT)

SER/FM:WMCKEEL (DRAFT)

LA/BC:RPACE (INFO)

LA/BC:RFIMBRES (INFO)

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P 102345Z NOV 75

FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ PRIORITY

INFO AMEMBASSY SANTIAGO PRIORITY

C O N F I D E N T I A L STATE 265954

E.O. 11652: GDS

TAGS:

SUBJECT: LA BELGICA.

REFERENCES: (A) LA PAZ 7487; (B) STATE 246632; AND (C)

SEPTEMBER 18, 1975 MEMO FOR THE RECORD FROM M.HONADLE,

SER/FM.

INFO: SANTIAGO FOR RLA.

RESPONSES KEYED TO REFTEL A PARAGRAPHS:

1. RLA/SANTIAGO (GAIR) STANDING BY FOR CALL FROM LA PAZ.

IF GASSER TAKES ACTION REQUIRING RESPONSE THROUGH BOLIVIAN

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COURTS, AID/W (GC/LA) TO BE NOTIFIED IMMEDIATELY IN ORDER TO SECURE JUSTICE DEPARTMENT INVOLVEMENT IN BEHALF OF U.S.G.

2. A(I): "RESOURCES"(REFTEL B) REFERS TO CURRENT EARNINGS, NOT PROCEEDS FROM SALE OF ASSETS.

A(II): EARNINGS OF ESTANCIAS ORIENTE AND CLARA CHUCHIO CONSIDERED PART OF LA BELGICA'S AVAILABLE EARNINGS

A(III): DELAY/CANCELLATION OF PROJECTED LA BELGPRA CAPITAL EXPENDITURES (PARTICULARLY FOR FIXED ASSETS) NOT CONSIDERED NECESSARY.

A(IV): NOT APPLICABLE.

USAID/HONADLE ANALYSIS SHOWED LA BELGICA COULD REPAY AID LOAN IN 5 YEARS. FIVE AND TEN-YEAR REPAYMENT TABLES UTILIZED BY AID/W WERE THOSE PREPARED BY USAID AND HONADLE IN AUGUST. COPIES BEING POUCHED SEPARATELY ALONG WITH HONADLE REPORT SUBMITTED TO AID/W, TO INSURE USAID IS CLEAR AS TO FINANCIAL BASIS FOR DECISIONS REFTEL B. UTILIZING THIS REVISED FINANCIAL ANALYSIS FOR LA BELGICA, ESTANCIAS ORIENTE AND CLARA CHUCHIO COMBINED, THE 80 PERCENT ACCELERATION FORMULA ON 5-YEAR AMORTIZATION SCHEDULE (INCLUDING 3 PERCENT GUARANTY FEE) YIELDS CASH AVAILABILITIES (IN U.S. DOLLARS THOUSANDS) AS FOLLOWS:

LA BELGICA (INCLU. ESTANCIAS ORIENTE AND CLARA CHUCHIO)

	1975	1976	1977	1978	1979	1980
-BEGINNING CASH	1.394	1.926	.997	1.120	.999	1.407
-NET FROM OPERATIONS LESS INVESTMENTS	.906	(.241)	.831	.702	1.244	3.931
-DLF PAYMENT PLUS 3 PERCENT GUARANTY FEE	(.295)	(.581)	(.568)	(.554)	(.540)	(.250)
-ACCELERATED PAYMENTS	(.079)	(.107)	(.140)	(.269)	(.296)	(.140)
-ENDING CASH	1.926	.997	1.120	.999	1.407	3.541

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CENT GUARANTY FEE

ENDING CASH BALANCES INDICATE LA BELGICA WELL ABLE TO

ABSORB FULL DLF REPAYMENT PLUS GUARANTY FEE AND ACCELERATED PAYMENTS OVER FIVE YEARS. IT IS CONCEIVABLE THAT LA BELGICA MAY DECIDE TO DEFER SOME FIXED ASSETS INVESTMENT OR SEEK SHORT-TERM COMMERCIAL CREDIT IN 1976. HOWEVER, OVERALL CASH PICTURE MAKES THIS SEEM UNLIKELY.

B. WE AGREE THAT, WITH GUARANTY ACCEPTABLE TO AID (AS DESCRIBED PARA 2(C) OF REF B), MATTER OF PLEDGE OF LA BELGICA'S ASSETS IN ESTANCIAS ORIENTE AND CLARA CHUCHIO NEED CONCERN ONLY GUARANTOR, NOT AID.

3. CASH BALANCES BEFORE AND AFTER DLF REPAYMENT (PARA 2 ABOVE) WOULD INDICATE LA BELGICA PRODUCTION COULD FALL WELL SHORT OF 100 PERCENT AND EARNINGS WOULD STILL BE

ADEQUATE TO MEET COMMITMENTS UNDER LOAN AND GUARANTY. WE ASSUME MISSION STANDS BY REASONABLENESS OF PRODUCTION PROJECTIONS. IF THESE ARE ACCURATE, WE BELIEVE 80 PERCENT ACCELERATION FORMULA IS REASONABLE. APPLICATION OF FORMULA TAKES INTO ACCOUNT: PROJECTED OPERATING EXPENSES AND APPROXIMATELY 6.4 MILLION IN FIXED ASSETS INVESTMENT (1975-1980); CURRENT AND PROJECTED TAXES; AND ALLOWS OWNER PARTICIPATION OF 10 PERCENT GROSS MARGIN, ALL TAKEN BEFORE ACCELERATED PAYMENTS ARE APPLIED. NEVERTHELESS, IF NEGOTIATIONS WITH GASSER PROVE UNSUCCESSFUL, AND MISSION BELIEVES HIGHER PERCENTAGE WOULD CLOSE DEAL, YOU ARE AUTHORIZED TO OFFER UP TO 90 PERCENT OF PROJECTED PRODUCTION AS ACCELERATION TRIGGER, AFTER SO ADVISING AID/W. KISSINGER

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